



Statement of James Eckstein

On Behalf of the

National Roofing Contractors Association

ON: “Making Health Reform Work for Small Business”

**TO: Committee on Small Business
 U.S. House of Representatives**

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Introduction

Thank you, Madame Chairwoman, ranking member Chabot and distinguished members of the committee, for the opportunity to appear before you today to discuss health care reform for small businesses. My name is James Eckstein, and I am president of C.A. Eckstein Roofing, Inc., a small business which employs 35 workers in Cincinnati, Ohio. I also currently serve as a vice president of the National Roofing Contractors Association (NRCA) and am testifying before the committee today on behalf of NRCA.

First, I want to commend Chairwoman Velazquez and ranking member Chabot for your outstanding leadership on health care and other issues of importance to small businesses. Your tireless efforts on behalf of working Americans are greatly appreciated by NRCA and the roofing industry. We also commend you for holding this hearing today on health care reform, an issue that is critical to both small employers and workers across our great nation.

Established in 1886, NRCA is one of the nation's oldest trade associations and the voice of professional roofing contractors worldwide. We are an association of roofing, roof deck and waterproofing contractors; industry-related associate members, including manufacturers, distributors, architects, consultants, engineers, government agencies and international members. NRCA has approximately 4,500 members located in all 50 states and 54 countries, and is affiliated with 105 local, state, regional and international roofing contractor associations. NRCA contractors typically are small, privately held companies, with the average member employing 35 people in peak season and attaining sales of just over \$3 million per year.

NRCA welcomes the opportunity to testify on the long-standing problem of excessive increases in the cost of health insurance for small businesses. The enactment of legislation to expand access to affordable health insurance for small businesses has been a major priority for NRCA for many years, and we believe that Congress must address this urgent problem.

NRCA strongly supports the Small Business Cooperative for Healthcare Options to Improve Coverage for Employees (CHOICE) Act of 2008 (H.R. 6582), legislation designed to provide small businesses with access to affordable health insurance. NRCA commends Chairwoman Nydia Velazquez and Energy & Commerce Committee member Joseph R. Pitts (R-Penn.) for their strong leadership in introducing this legislation, and urges Congress to consider the bill as expeditiously as possible. NRCA also commends Rep. Chabot for introducing the Health Insurance Affordability Act of 2007 (H.R. 3975), legislation to allow individual taxpayers to take a tax deduction for health insurance costs.

Impacts of Increases in Health Insurance Costs

The enactment of health insurance reform for small businesses is long overdue. Since 2001, premiums for family health coverage have increased on average by 78 percent, according to a recent report by the Kaiser Family Foundation. For many small businesses, the increases in health insurance premiums have been even greater than this average. The severe lack of access to affordable health insurance for small firms is disturbing and does great harm to both small

employers and working families. This situation compromises the health of many small business persons and their employees who may be uninsured or under insured due to the excessive cost of insurance coverage.

At C.A. Eckstein Roofing, we believe it is very important to provide our employees and their families with high quality health benefits, and it is necessary that we do so to remain competitive in attracting and retaining quality employees. However, providing coverage for our employees is becoming increasingly difficult each year, as we continue to be hit with double digit premium increases from our insurance company. Our most severe problem now is that insurance companies are unwilling to provide us with competitive pricing because of cancer and other health conditions among a few of our spouses and families. Thus, we have no choice but to accept double digit premium increases from our current insurer. These excessive premium increases year after year have forced us to increase the amount that our employees pay for health care benefits, which I greatly regret.

In addition to jeopardizing the health of many small business workers, the lack of affordable health insurance for small businesses also greatly hinders economic growth across the nation. Small entrepreneurs are the primary source of job growth in our dynamic economy, and difficulties in providing affordable health benefits to employees slows their ability to grow their businesses and create new jobs. Moreover, the current manner in which health insurance is regulated puts small businesses at a distinct disadvantage to large corporations in providing health benefits to employees. This situation makes it difficult for small businesses to attract and retain high quality employees in today's competitive labor markets.

It is clear from our situation at C.A. Eckstein Roofing, and based on the experience of many other small businesses, that some form of expanded pooling is absolutely necessary in order to spread risks across greater numbers of insured lives. Expanded risk pooling is essential if we are ever going to restrain the excessive cost of health insurance for small businesses.

NRCA looks forward to working with Congress to develop innovative solutions which address risk pooling and other needs of small employers in our efforts to offer high quality, yet affordable, health benefits to working families. It is absolutely critical that we do so for the health of working families as well as the vitality of our economy.

The Small Business CHOICE Act

As mentioned, NRCA strongly supports the Small Business CHOICE Act as one method of expanding health insurance pooling opportunities for small businesses. The CHOICE Act is a private sector solution that addresses the high cost of health insurance by enabling the establishment of new purchasing cooperatives designed to allow small businesses to stabilize health insurance costs by pooling risks and increasing their economies of scale. The legislation also provides a refundable tax credit to small employers who purchase health insurance for their employees through a cooperative, a promising idea that will further promote the expansion of coverage to small businesses. Finally, the bill provides a role for bona fide trade and professional associations like NRCA in the development and expansion of purchasing cooperatives.

The market-oriented CHOICE Act recognizes the need to expand pooling options for our nation's job-creating small businesses in order to stabilize insurance premiums and expand access to coverage for working families. Given the huge disparity between the health insurance costs of small businesses and those of our larger competitors, it is critical that Congress, the Administration and state governments work together with the private sector to create new pooling options for small businesses, such as the cooperatives envisioned in the CHOICE Act.

Under the CHOICE Act, private, voluntary purchasing cooperatives would be established under state captive insurance laws to provide excess claims insurance coverage to participating small businesses. In doing so, the CHOICE Act tackles two of the most significant challenges facing small employers – the high cost of providing comprehensive health insurance to employees and the volatility of premiums. Thus, it addresses those underlying factors which have led directly to the double digit premium increases that we at C.A. Eckstein Roofing have experienced in recent years.

NRCA believes that the establishment of viable pooling options for small business, such as is envisioned by the CHOICE Act, will inject significantly greater levels of competition into health insurance markets, which too often are dominated by one or only a few large insurance companies. The excessive market power enjoyed by large insurance companies in many markets has certainly contributed to the trend of rising premiums for small group health insurance, and the failure of either the federal or state governments to address this problem is disturbing. A Government Accountability Office study issued in 2002 documented this problem, which continues to persist to this day. There has been a great deal of consolidation among health insurance companies in recent years, which I presume have created significant efficiencies. However, any cost savings from such efficiencies are not being passed on to small businesses, at least not small businesses that actually utilize coverage to pay for health conditions. As an entrepreneur, I can tell you that there are few things that will control price increases better than greater competition in the marketplace.

The CHOICE Act also offers a refundable tax credit to small employers who choose to join a health care purchasing cooperative. The credit would be available to small businesses with 100 employees or less, and the employer would be required to offer a wellness program to its employees in order to receive the credit. The tax credit would be 65 percent of the cost of insurance, and the employer would be required to subsidize at least 65 percent of “self-only” coverage and 35 percent of “family” coverage for its employees.

NRCA believes the refundable tax credit provided by the CHOICE Act is a prudent investment of federal resources given the immense social and economic damage that now results from dysfunctional small group health insurance markets. By expanding access to health benefits for small businesses, the tax credit will help improve economic growth and productivity by promoting a healthier workforce. The tax credit is further justified because the federal ERISA law provides large employers with an option for providing health care benefits to employees that is not available to small businesses. The current disparity in health benefit costs between small and large businesses puts the former at a huge disadvantage in labor markets, as previously noted.

NRCA is also pleased that the CHOICE Act contains a meaningful way for trade and professional associations to participate in the establishment of purchasing cooperatives under the bill. Bona fide associations exist for one purpose and one purpose only – to serve their members. Associations are uniquely structured to add value to their small business members on a wide array of issues, and NRCA has extensive experience in working with the insurance industry to achieve savings on various insurance products for our members. NRCA has attempted to develop some form of risk pooling arrangement that will lower health insurance costs for our members for many years. However, we have had limited success in this area because existing state small group laws and regulations make it very difficult for associations to operate across state lines. We believe that enactment of the CHOICE Act would allow our association to play an important role in helping our roofing contractor members obtain affordable health care benefits.

Conclusion

NRCA believes that health reform legislation should focus primarily on market-oriented, private sector solutions to address health care costs because we believe market forces that lead to greater competition are the most effective method for reducing costs. In addition, we recognize that sensible government regulation is necessary in order to provide fairness and transparency in health insurance markets, the lack of which often puts small businesses at a disadvantage. NRCA strongly urges Congress to take up small business health reform early next year and work with the new President to address this urgent issue as expeditiously as possible.

Again, NRCA supports the Small Business CHOICE Act and urges all members of the committee to consider cosponsoring H.R. 6582. We are committed to working with members of Congress to obtain enactment of the CHOICE Act and any other bipartisan proposal that effectively addresses the problems small businesses face in obtaining access to affordable health insurance. Enactment of such legislation will improve the health and well-being of millions of working families across the nation and will also greatly enhance our economy.

Again, thank you for the opportunity to share NRCA's views on this important issue with you today.